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SOUTH DAKOTA

BRB

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School of Business
The University of South Dakota
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Errata

Regrettably, the "Personal Income" article in the June 1990 issue of the South Dakota Business Review had several errors. Although we make every effort to publish accurate data, mistakes do occur. I apologize for this oversight and hope that you will please note the following changes.

Page 5, Column 2, the paragraph immediately above the heading "Total Disposable Personal Income", should read:

> "South Dakota's 1989 total personal income in current dollars is $9.4 billion, but when deflated by the Consumer Price Index, it is $7.6 billion (see Table IV)."

Table III on page 7 should read as follows:

Table III
Percent Changes in Per Capita and Total Personal Income
Plains States

	% Change in Total Personal Income 1980-1989	% Change in Total Personal Income 1988-1989	% Change in Per Capita Income 1980-1989	% Change in Per Capita Income 1988-1989
IOWA	58.5	6.1	62.8	5.7
KANSAS	72.5	3.5	62.8	2.8
MINNESOTA	87.9	7.7	76.4	6.6
MISSOURI	85.2	6.7	76.7	6.3
NEBRASKA	69.6	4.4	65.6	3.9
NORTH DAKOTA	56.6	2.8	55.3	3.9
SOUTH DAKOTA	66.7	4.1	61.2	3.9
PLAINS REGION	76.5	6.0	70.2	5.5
UNITED STATES	93.5	7.6	77.1	6.5

Source: Tables I and II

Table IV: income data are reported in millions of dollars.

Table VII: income data are reported in millions of dollars.

Table IX: income data are reported in millions of dollars.

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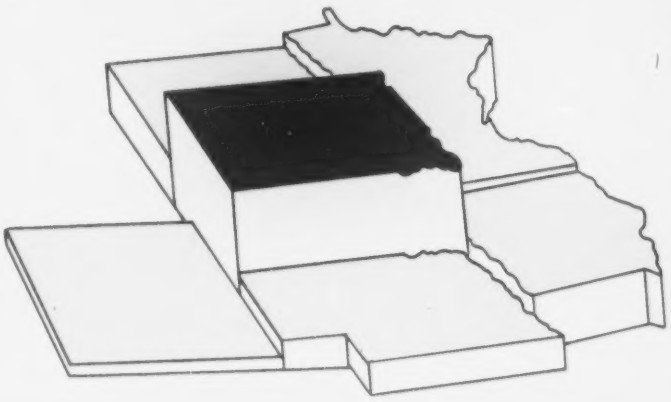

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General Indicators	Latest Quarter	SOUTH DAKOTA Latest Quarter	SOUTH DAKOTA Year Ago	SOUTH DAKOTA Percent Change	UNITED STATES Latest Quarter	UNITED STATES Year Ago	UNITED STATES Percent Change
Personal Income ($ Mil.)	1990-1	9,732	9,446	3.0	4,548,951	4,254,200	6.9
Farm Prop. Income ($ Mil.)	1990-1	451	679	-33.6	52,738	48,904	7.8
Non-ag Employment (Thous.)	1990-2	283	277	2.2	110,699	108,339	2.2
Unemployment Rate (%)	1990-2	3.7	4.1	-9.8	5.2	5.2	0.0
Total Employment (Thous.)	1990-2	350	350	0.0	118,414	117,368	0.9

Note: All U.S. data seasonally adjusted except for the unemployment rate and total employment.
For South Dakota, only personal income and farm proprietors' income are seasonally adjusted.

SURVEY RESULTS REGARDING RECRUITERS' VIEWS OF THE 150 CREDIT HOUR ACCOUNTING CURRICULUM

By Lloyd G. Sage, PhD, CPA
Associate Professor of Accounting
The University of South Dakota
and
Judith A. Sage, PhD, CPA
Assistant Professor of Accounting
The University of South Dakota

In 1969 the American Institute of Certified Public Accountants (AICPA) recommended that educational requirements for CPAs be increased.[1] Further, the Commission on Professional Accounting

Continued on Page 4.

About the Authors: Lloyd G. Sage, PhD, CPA is an Associate Professor of Accounting at The University of South Dakota. Judith A. Sage, PhD, CPA is Assistant Professor of Accounting at The University of South Dakota.

INDEPENDENT CONTRACTOR VS. EMPLOYEE A TAXING DILEMMA

By Thomas L. Davies, J.D., CPA

If given a choice, most employers would prefer to classify a subordinate as an independent contractor rather than an employee. By doing so, the employer reduces costs and increases the bottom line. Payroll taxes (e.g., social security (FICA) and unemployment taxes (FUTA) can be avoided, and workmen's compensation insurance and fringe and other employee benefits need not be provided. Nor are income taxes withheld. As a result, bookkeeping may also be simplified and costs reduced. No such arbitrary choice is permitted, however.

From the worker's perspective, being treated as an independent contractor necessitates providing his or her own insurance and retirement benefits, and also potentially increases the amount of

Continued on Page 5.

About the Author: Thomas L. Davies, M.P.A., J.D., CPA is Assistant Professor of Accounting at the School of Business, The University of South Dakota.

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SOUTH DAKOTA BUSINESS REVIEW

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TREND OF BUSINESS

United States' Economy

Recent developments in the U.S. economy indicate a downward trend. Of serious concern is the uncertainty of the Middle East situation and the subsequent increase in oil prices. There has also been a poor showing in second quarter GNP and stagnant nonfarm job growth—factors that point to a probable recession.

Second quarter real GNP (GNP adjusted for price changes) rose an estimated 1.2 percent. Recently revised figures released by the Bureau of Economic Analysis reveal real GNP "growth at rates of less than 2 percent for the last five quarters—the longest uninterrupted period of subpar growth in postwar history outside an economic recession."[1] The most recent recessions occurred "in January 1980-July 1980. This was followed by a longer, more severe recession from July 1981-November 1982 which resulted in double-digit unemployment rates, reduced incomes and a decline in output."[2]

Unemployment climbed in August to a 5.6 percent rate following job losses in manufacturing and construction and the layoffs of temporary census workers. Compared to a year ago, the second quarter unemployment rate of 5.2 percent was unchanged. Home construction has been hampered by tightening lending standards of banks and savings and loans following the S&L crisis.

The August Consumer Price Index increased 5.6 percent from a year ago. The "UCLA Business Forecast" expects rising inflation through 1990 with an estimated fourth quarter rate of 8.9 percent.

South Dakota Economy

The indicators of economic activity maintained by the Business Research Bureau were up in three of the seven categories compared to a year ago. Seasonally adjusted figures for nonagricultural employment continued to expand in the second quarter of 1990 from year earlier levels to a 2.3 percent increase. Second quarter 1990 nonfarm wage and salaried employment averaged 283,167 compared to 276,600 a year ago. Construction employment rose 4.9 percent for the same period, but fell slightly from the first quarter of 1990—(0.6%).

South Dakota's unemployment rate of 3.9 percent is slightly above the 3.7 percent first quarter rate. Boosted by gains in the nonfarm wage and salaried employment—particularly in the government sector with the hiring of census workers and the Summer Youth Program—the seasonally adjusted unemployment rate in the second quarter was well below the 4.3 percent rate of a year ago.

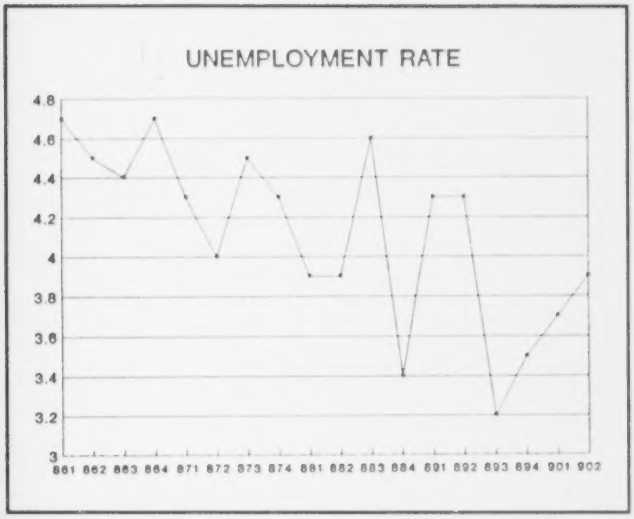
Total personal income fell slightly in the first quarter of the year compared to the previous quarter. Impacting this drop was farm income which fell nearly 20 percent due mainly to a drop in government subsidies. New car and truck registrations were also down in the second quarter of 1990 compared to the previous quarter. Seasonally adjusted new car registrations fell nearly -7.0 percent while truck sales plummeted 17 percent for this period.

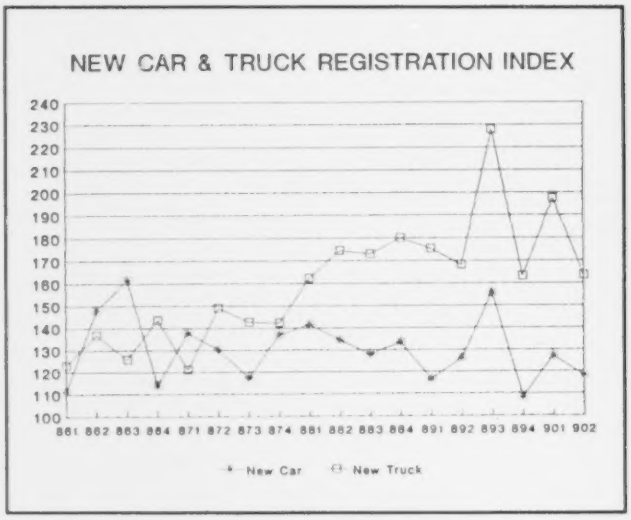
Comparisons of the South Dakota indices are included in the table on page 12.

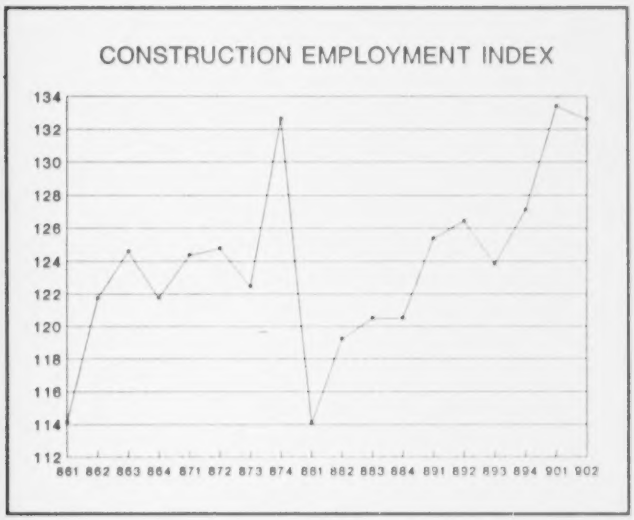
SOUTH DAKOTA BUSINESS AND ECONOMIC INDICES

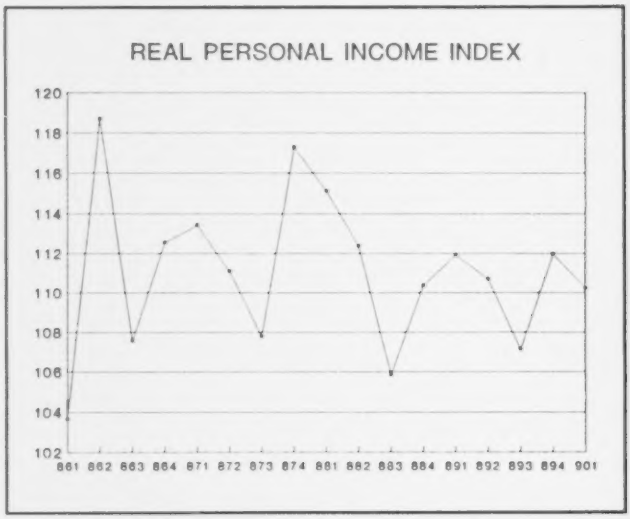
Quarterly Data 1986-1990

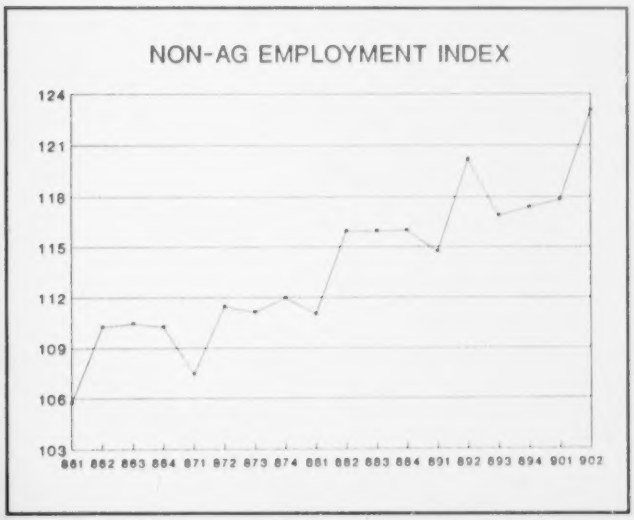
Adjusted for Seasonal Variation

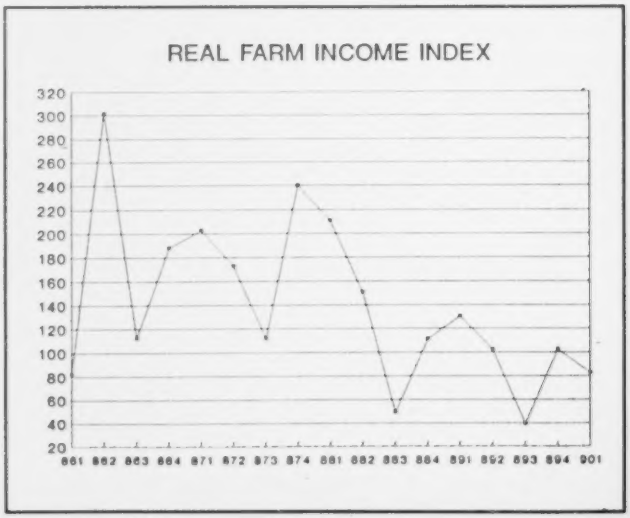












 Continued from page 1.

Education in 1983 suggested that:

> Due to significantly increased knowledge requirements and to a changing accounting profession and environment, a baccalaureate accounting program is no longer an adequate education for entry into the CPA profession. The result is a compelling need to move forward with the implementation of a postbaccalaureate education requirement.[2]

Since this Commission's recommendation, the AICPA and the National Association of State Boards of Accountancy (NASBA) have jointly issued the *Model Public Accountancy Bill* which among other recommendations provided that the prerequisite for obtaining a CPA certificate should be a baccalaureate degree and not less than 30 semester hours of additional study.[3]

In addition after January 1, 2000, all new members of the AICPA will be required to have 150 hours of education. Presently twelve states have enacted legislation which requires 150 semester hours of education for CPA candidates. CPA firms in one of these states, Texas, presently recruit in South Dakota. Several other states whose firms recruit in South Dakota are now studying this requirement. Should the State of South Dakota enact legislation requiring 150 hours of education for CPA candidates?

A group that would be affected if South Dakota implements the 150 hour requirement are the firms that hire graduates of South Dakota colleges and universities. To determine these firms' opinions on the possibility of South Dakota enacting the 150 hour requirement, the researchers developed a questionnaire that was given to all recruiters of accounting majors at the University of South Dakota during the 1989-90 school year. Two forms of the questionnaire were used; one was given to CPA firm recruiters and the other form was given to recruiters of accounting majors for non-CPA firms (managerial accountants).

In addition, the questionnaire was used to determine if the recruiting firms would be willing to hire students with more than 120 semester credit hours. The recruiters were also asked to indicate the method by which the students should obtain the 30 additional credit hours. Also, they were asked to specify the portion of these additional hours which should be accounting courses, business and economics courses or courses outside the School of Business. Finally, the recruiters were asked to select 10 (3 credit hour) courses that they felt the students should take as part of the additional 30 hours.

CPA FIRM RECRUITERS

The public accounting questionnaire was given to 37 CPA firm recruiters. The researchers received 22 responses, which represent a response rate of approximately 60 percent.

Table 1 summarizes the recruiters' (CPA firms') feelings about the possible enactment of the 150 hour requirement. As can be observed, many of the recruiters believe that the 150 hour requirement should be enacted.

The recruiting firms' preference for hiring students, which is a concern of all students, with additional credit hours is presented in Table 2. As shown in this table, only four of the CPA firm recruiters prefer not to hire graduates with work beyond the baccalaureate degree.

Since the majority of the CPA firm recruiters are willing to hire students with additional credit hours, the logical next question is which method of obtaining the additional hours is preferred by the recruiters. As seen in Table 3, all but four of the recruiters felt that the students should acquire a master's degree. Specifically, most of the recruiters indicated that they would like the students to first obtain a bachelor's degree and then enter a master's degree program for the additional 30 semester credit hours (See Table 3).

Table 4 summarizes the recruiters' opinions as to the portion of the additional credit hours that should be accounting courses, business and economics courses, or courses outside the School of Business. Half of the recruiters indicated that at least 15 credit hours should be in accounting with the majority believing that there should be at least 10 credit hours in accounting. Also, the majority of the recruiters felt that there should be at least 10 credit hours in business and economics courses. Half of the recruiters felt that the course work outside of the School of Business should be less than 5 credit hours.

Next the questionnaire asked the recruiters to identify 10 (3 credit hour) courses that they felt the students should take. The majority of the recruiters (See Table 5) selected communication courses [Advanced Business Communication and Advanced Speech]. Two accounting courses [Computer Auditing & Internal Control and Seminar in Managerial Accounting] were selected by at least half of the recruiters. As also observed in Table 5, the top 10 courses selected are broken down as follows: 5 accounting courses, 2 communication courses, 2 business courses and 1 economics course.

The following courses were also recommended by several of the recruiters: Seminar in Accounting Research, Accounting Theory, Advanced Business Law, Organization Theory and Behavior, Administrative Policy, Controllership, Governmental and Not-For-Profit Accounting, Production and Operations Management.

MANAGERIAL ACCOUNTING RECRUITERS

Only 3 out of the 10 questionnaires given to the managerial accounting recruiters were returned. The low return rate in itself may indicate that managerial accounting recruiters do not approve of the 150 hour requirement and/or prefer not to hire students with the additional credit hours.

This seems to be substantiated by the results of the returned questionnaires (See Table 1 and Table 2). Two out of the three responding recruiters did not want the 150 hour requirement enacted. All three responding recruiters indicated that their firm prefers to hire students with only baccalaureate degrees.

Even though the return rate is low, it is interesting to note (See Table 6) that the managerial accounting recruiters placed a greater emphasis on accounting courses and less emphasis on the business and economics courses and courses outside the School of Business than did the CPA firm recruiters (See Table 4). Like the CPA firm recruiters, the managerial accounting recruiters felt that the students should take the Computer Auditing & Internal Control course. However, these recruiters placed a greater emphasis (100%) on the Governmental and Not-For-Profit course. The following courses were selected by 2 out of the 3 recruiters:

- Advanced Information Systems,
- Advanced Business Ethics,
- Advanced Business Communication,
- Seminar in Managerial Accounting, and
- Seminar in Auditing.

CONCLUSION

It appears that CPA firm recruiters are interested in the enactment of the 150 hour requirement and that they would be willing to hire students with the additional credit hours. However, the managerial accounting recruiters may not approve of the additional credit hours or be interested in hiring students with post-baccalaureate education.

Both the CPA firm and managerial accounting recruiters felt the additional credit hours should result in a master's degree after completing the bachelor's degree (4-1 arrangement, See Table

Continued on page 6.

taxes that must be paid. In 1990, social security taxes of 15.30% are due on the first $51,300 of earned income of a taxpayer. If the taxpayer is an employee, the tax is shared equally with the employer (7.65% each). If the taxpayer is an independent contractor with net earnings of $400 or more, he alone assumes the now larger burden of the tax. Prior to 1990, the independent contractor was entitled to a 2% credit against the social security self-employment tax. For example, in 1989, both the employer and the employee contributed 7.51% (15.02% total) for the social security tax, while the independent contractor was subject to a 13.02% tax rate. Starting in 1990, however, the 2% credit has been eliminated, making the independent contractor subject to the full 15.30% rate, although the taxpayer may now take a new deduction equal to 7.65% of net earnings to arrive at the tax.

In an effort to raise revenues and to help ensure the more uniform application of the tax law, the Internal Revenue Service (IRS) has targeted the independent contractor-employee issue for increased audits. As reported in the March/April 1990 edition of the national accounting firm McGladrey and Pullen Client Newsletter, **Ideas for your Success**, the IRS has assigned 350 agents to track down employers who misclassify employees as independent contractors. This stepped-up effort resulted from a 1989 pilot enforcement project which showed that 90% of employers had misclassified workers as independent contractors. Forms 1099-Misc, required to be issued by employers under Internal Revenue Code (IRC) Section 6041(a) to non-employees who perform services worth at least $600 annually, are being tracked to aid in the IRS's effort.

Unfortunately, compliance in correctly classifying subordinates is made more difficult due to the imprecise definition of what constitutes an employee. For social security tax purposes, IRC Section 3121(d) defines employee to include the following:

1. officers of a corporation
2. individuals having the status of employees under common law rules, and
3. persons such as an agent-driver or commission-driver engaged in distributing meat, vegetable or bakery products, beverages, or laundry services; full-time life insurance salesmen, home workers performing work according to specifications furnished for whom the services are performed; traveling or city salesmen engaged full-time in the solicitation of orders from wholesalers, retailers, contractors, or hotel and restaurant operators for merchandise for resale or supplies for use in business operations, where such person is remunerated for services provided under a contract contemplating that substantially all services are to be provided by such person unless either (a) the person has a substantial investment in facilities used in connection with the performance of such services, or (b) the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

Likewise, for unemployment tax purposes, employees include those subject to the social security tax other than full-time life insurance salesmen and home workers [Section 3306(i)]. For income tax withholding purposes, IRC Section 3401 defines employees to include an officer, employee, or elected official of any federal, state or local government or related agency, as well as an officer of a corporation.

Since most workers do not fall within the specifically mentioned jobs, attention must be focused on the common law's definition of employee. The treasury regulations issued under IRC Sections 3121, 3306, 3401 essentially provide that a common law employer-employee relationship generally exists "when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work, but also as to the details and means by which that result is accomplished [Treas. Reg. 31.3121(d)-1(c)(2)]. It is sufficient that the employer has the right to direct and control the manner in which the services are performed, regardless of whether the control is actually exercised. Control only as to the result to be accomplished by the work indicates that the subordinate is an independent contractor; how the relationship is described or designated by the employer and worker is irrelevant [Treas. Reg. 31.3121(d)-1(a)(3)].

The regulations delineate several factors that are characteristic of an employer - employee relationship. Included are the right to discharge, the furnishing of tools, and the furnishing of a place to work [Treas. Reg. 31.3121(d)-1(c)(2)]. The list of factors has been expanded by various court cases rulings and IRS rulings, as discussed below. Several of these cases have raised the issue of whether "control" continues to be the test for the employer-employee relationship, or whether it is only one factor to be considered when classifying a worker.

Rev. Rul. 87-41, 1987-1 C.B. 297 examines twenty factors considered by both the IRS and courts in resolving the issue. Not all of these factors will apply in every situation. These factors are to be used only as guides, and are to be applied so that the substance of the transaction prevails over its form. The importance of each of the factors depends on the job and the factual situation in which the services are performed.

1. **Instructions**. One who must comply with another person's instructions about "when, where, and how" to work will usually be classified as an employee. Again, the right to require compliance with instructions is sufficient to meet the control factor.

2. **Training**. Training a subordinate through correspondence, requiring attendance at meetings, or by assigning another worker to work with such person indicates the person for whom the services are performed exercises some level of control over the manner that the work is performed.

3. **Integration.** When the business's success or continuance depends appreciably on the performance of particular services, those who perform the services are to a certain degree controlled by the business owner.

4. **Services rendered personally**. Where the work is to be rendered personally, the person for whom the work is to be performed supposedly is interested in results of the work and how the work is performed. This suggests the existence of an employer-employee relationship.

5. **Hiring, Supervising, and Paying Assistants**. Control of workers is generally presumed where the person for whom the work is to be performed can hire, supervise, and pay assistants. However, if the worker provides materials and labor in any manner necessary to achieve the ultimate result, then an independent contractor status may exist.

6. **Continuing relationship**. A worker is generally considered an employee where a continuing relationship exists between the person for whom the work is to be performed and the worker. Such a relationship may exist even though the work is performed at "frequently recurring although irregular intervals".

7. **Set hours of work**. The establishment of set hours suggests control exists.

8. **Full time required**. If the subordinate devotes substantially full time to the business, the person for whom the services are performed controls the amount of time the worker spends working. An independent contractor, however,

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Continued from page 5.

can work when and for whom he chooses.

9. **Doing work on employer's premises**. Control normally is present where the work is performed on the premises of the one for whom the work is performed. Likewise, control may be present if the person for whom the services are performed has the right to compel the worker to work at specific places.

10. **Order or sequence set**. If the person for whom the work is to be performed has the right to set the sequence in which the work is to be performed, control presumably exists.

11. **Oral or written reports**. A degree of control exists where the worker is required to submit regular or written reports to the person for whom the services are performed.

12. **Payment by hour, week, month**. These payment methods generally suggest an employee-employer relationship; a commission basis or payment by the job indicates an independent contractor relationship.

13. **Payment of business and/or traveling expenses**. Employee status is ordinarily indicated if the person for whom the services are performed normally pays the worker's business and travel expenses.

14. **Furnishing of tools and materials**. The furnishing of tools, materials, and other equipment by the person for whom the services are performed indicates an employee-employer relationship.

15. **Significant investment**. When the worker invests in and uses facilities that are not usually maintained by employees, the worker typically is an independent contractor. A lack of investment in facilities by the worker suggests employee status.

16. **Realization of profit or loss**. If the worker's realized profit or loss is dependent upon his or her services, the worker is generally an independent contractor.

17. **Working for more than one firm at a time**. If a worker is able to perform more than a minimal amount of services for multiple firms or unrelated persons at the same time, the worker generally is an independent contractor.

18. **Making service available to general public**. A worker who offers his or her services to the general public on a regular and consistent basis is generally an independent contractor.

19. **Right to discharge**. The existence of the right to fire a worker indicates that the worker is an employee. In contrast, an independent contractor will not be fired unless he or she fails to produce a result that meets job specifications.

20. **Right to terminate**. If the worker may end the relationship with the person for whom the services are performed at any time without incurring liability, the worker is generally an employee.

As a review of these factors suggests, the issue of whether an employee-employer relationship exists must in doubtful cases be determined on a case-by-case basis [Treas. Reg. 31.3121(d)-1(c)(3)].

Misclassification of an employee as an independent contractor can result in the imposition of penalties on the employer, the nature of which are dependent on whether the misclassification was intentional or not. Where the employer did not intentionally disregard the requirement to deduct and withhold employment taxes, IRC Section 3509 imposes liability. Specifically, if the employer fails both to withhold income tax and the employee's share of social security taxes when required to do so, he or she is liable for withholding taxes equal to 1.5% of all wages paid to the employee. In addition, the employer is liable for employee social security taxes equal to 20% of the employee's share of the tax. These rates double to 3% and 40%, respectively, if the employer did not comply with the Form 1099 filing requirements, except where it can be shown that the failure to comply was due to reasonable cause [IRC Sections 3509(a) and (b)]. The employer is not entitled to recover any of these taxes from the employee, whose liability for the tax is not affected by the assessment against the employer. In addition, the employer is still liable for FUTA taxes and his or her share of FICA taxes. If the misclassification is intentional, more serious penalties can result. For instance, IRC Section 6672 provides that a person who willfully fails to collect, truthfully account for, and pay over any tax when obligated to do so is subject to a penalty, in addition to other penalties imposed by law, equal to 100% of the tax evaded, not collected or due.

Taxpayers in doubt as to how to classify a worker may complete and file with the IRS Form SS-8, **Information for use in Determining Whether a Worker is an Employee for Federal Employment Taxes and Income Tax Withholding**. In essence, this form walks the employer through the common law elements previously discussed. Given the current sensitivity of this issue, however, it is strongly advisable to first contact the business's tax accountant or counsel for guidance as to how to proceed. The potential for the costly imposition of penalties requires that considerable attention be given to properly classifying workers.

Continued from page 4.

4). This method of obtaining the additional credit hours may best suit the present situation in South Dakota. It would allow all the colleges and universities presently offering a baccalaurate degree in accounting to continue their programs and permit the students to transfer/continue to a university which presently offers a master's degree in accounting. The 4-1 arrangement may meet the needs of the managerial accounting recruiters because it will give them the option to hire students with only a bachelor's degree in accounting.

However, the questionnaire results may indicate that the University of South Dakota might need to revise its master's degree in the accounting program in order to better meet the needs of its recruiters. That is, the master's degree program should be flexible enough to satisfy the diverse needs of the recruiting firms.

FOOTNOTES

[1]American Institute of CPAs, REPORT OF THE COMMITTEE ON EDUCATION AND EXPERIENCE REQUIREMENTS FOR CPAs (Beamer Report) (New York: AICPA, 1969).

[2]The Commission on Professional Accounting Education, A POSTBACCALAUREATE EDUCATION REQUIREMENT FOR THE CPA PROFESSION (New York: AICPA, 1983), p. 5.

[3]American Institute of CPAs and National Association of State Boards of Accountancy, MODEL PUBLIC ACCOUNTANCY BILL, (November 1984), p. 22.

TABLE 1
PREFERENCE FOR 150-HOUR REQUIREMENT

Recruiters	Yes	No	Undecided
CPA Firms	7	9	3
Managerial Accounting	0	3	0

TABLE 2
DEGREE PREFERENCE FOR HIRING

Recruiters	Bachelor's Degree	Master's Degree	No Preference
CPA Firms	4	0	18
Managerial Accounting	3	0	0

TABLE 3
ALTERNATIVE PROGRAM ARRANGEMENTS BY CPA FIRM RECRUITERS

4-1 arrangement whereby a student first receives a Bachelor's Degree and then is admitted to a Master's Degree program	12
5 year arrangement whereby a student receives both a Bachelor's Degree and a Master's Degree at the end of 5 years	1
3-2 arrangement whereby a student is admitted to the Master's Degree program at the end of his/her junior year and completes both his/her Bachelor's Degree and Master's Degree over the next two years	2
5 year arrangement whereby a student receives a Bachelor's Degree *only*	4
Other arrangements. Please specify	0

TABLE 4
PREFERENCES REGARDING ALLOCATION OF ADDITIONAL 30 CREDIT HOURS BY CPA FIRM RECRUITERS

Credit Hours	Accounting	Business and Economics	Outside School of Business
25-20	3	1	0
19-15	8	11	1
14-10	6	6	4
9 - 5	5	4	6
4 - 0	0	0	11

TABLE 5
TOP 10 COURSES SELECTED BY CPA FIRM RECRUITERS

	Responses
Advanced Business Communication	16
Advanced Speech	15
Computer Auditing & Internal Control	12
Seminar in Managerial Accounting	11
Managerial Economics	10
Advanced Business Ethics	10
Advanced Information Systems	9
Personnel Management	9
Corporation, Partnership, Estate & Trust Taxation	9
Seminar in Auditing	8

TABLE 6
PREFERENCES REGARDING ALLOCATION OF ADDITIONAL 30 CREDIT HOURS BY MANAGERIAL ACCOUNTING RECRUITERS

Credit Hours	Accounting	Business and Economics	Outside School of Business
25-20	1	0	0
19-15	2	0	0
14-10	0	1	0
9 - 5	0	2	1
4 - 0	0	0	2

A HISTORY OF THE DEANSHIP OF THE SCHOOL OF BUSINESS, THE UNIVERSITY OF SOUTH DAKOTA

By Karen Anderson

". . . it must always be remembered that the heart of any school lies in the character and integrity of the teachers and the quality of its program of instruction."
— Dr. R. F. Patterson

The University of South Dakota School of Business is enjoying new leadership with the naming of long-time faculty member Dr. Jerry W. Johnson as the Dean of the School of Business. "Jerry Johnson has the vision and leadership qualities to address the challenges that the School of Business will face in the future," said USD President Betty Asher in making the announcement of Johnson's appointment to the deanship. "He has a commitment to quality teaching and research, and offers outstanding administrative and communicative skills with the faculty, students, and constituents," she added.

Continued economic development of the state also ranks high in Johnson's priorities. He is currently Executive Director of the South Dakota Council for Economic Education, and Vice Chairman of the National Advisory Council for the US Small Business Administration. Johnson also served as a Visiting Scholar on the staff of the Joint Economic Committee of Congress in Washington, DC.

Jerry W. Johnson

Johnson is not new to the School of Business. He joined the Department of Economics in 1967 and has continued to teach in that department. Johnson was the Director of the Business Research Bureau from 1977-1985. A considerable expansion of the Business Research Bureau, including the inception of the Small Business Development Center and the State Data Center, took place under his direction. He also served as Associate Dean in 1985- 86. Johnson officially began his duties as Dean on July 1, 1990.

About the author: Karen Anderson, a recent graduate of the University of South Dakota, is an Administrative Assistant at the Small Business Development Center, School of Business, University of South Dakota in Vermillion.

Johnson is a native of Milford, IA. His educational background includes a Master of Business Administration from USD in 1965, and a Ph. D. in economics from Iowa State University at Ames in 1971. He received a Bachelor of Arts degree in business administration from Buena Vista College (Storm Lake, IA) in 1962.

Johnson is the fourth official Dean of the School of Business, following in the tradition of the School's meritorious leadership. The following is a brief summary of the history of the School of Business and its leaders.

The School of Business has its roots in the College of Arts and Sciences; prior to the formal establishment of a school, business classes were offered under the Department of Economics. The initial effort of establishing an official school can be credited to Dr. Frank T. Stockton, Dean of the College of Arts and Sciences from 1917 - 1924. Stockton, an economist, realized the growing importance of commerce education and in 1923 launched an expansion of relative course offerings and faculty. Allegiance to the program was further evidenced by the formation of a local chapter of the national commerce fraternity, Delta Sigma Pi, toward the end of that school year.

Stockton accepted the opportunity to become the Dean of the newly established School of Business at the University of Kansas, and left USD in the spring of 1924.

Dr. Earle S. Sparks, also an economist, succeeded Stockton as Dean of the College of Arts and Sciences in 1924, the academic year immediately following the expansion of the commerce department. Sparks proceeded with the movement toward establishing a School of Business; four courses in accounting, seven courses in business administration, and courses in marketing, business law, and finance were offered in the next academic catalog.

Thus the intangible foundation for the School of Business was in place, and the future of the school was in the hands of the Board of Regents. Formal action came on May 19, 1927, establishing the School of Business Administration (officially changed to the School of Business in 1956) and the School of Education. This welcome news was somewhat clouded, however, as the Board of Regents specified that it would "entail no additional faculty instructors at this time."

Dr. Sparks left the deanship of the College of Arts and Sciences to become the first Dean of the School of Business. Despite the handicaps of little money and resources, the School of Business thrived and grew, conferring the first degrees of Bachelor of Science in Business Administration during the June, 1929 commencement ceremony.

Sparks overcame a number of other obstacles in his quest to make the School of Business a success; among them the depression years and World War II. His interest in and ambitions for the School are still apparent today. Sparks recognized the value of accreditation by the American Association of Collegiate Schools of Business, and the process of accreditation was initiated during his administration. He can also be credited with several other important ventures, including two which are still an integral part of the School of Business: the Business Research Bureau and the Business Advisory Council.

The Business Research Bureau was proposed in 1930, and was finally established as part of the School of Business in 1937. The Bureau "was to serve as a fact finding organization and to extend the facilities of the Business School to the business men operating in the state." On May 15, 1942, the first issue of the *South Dakota Business Review* was published; it has been published quarterly since that time.

The Business Advisory Council was organized in 1941 with the original purpose of providing suggestions regarding possible areas of research to the Business Research Bureau. The first council had 27 members; one person from every trade and farm organization in South Dakota. Its role and member profile have changed considerably but the Business Advisory Council remains a vital link between the School of Business and the South Dakota business community.

Sparks retired from the deanship on July 1, 1946. He remained a part-time instructor for another year, and then left the School of Business entirely to pursue farming interests.

Dr. Robert F. Patterson came to the School of Business as its second Dean on July 1, 1946. The University as a whole was in a time of growth and change as veterans home from World War II were taking advantage of the GI Bill of Rights, often bringing with them wives and families and considerably changing the profile of the student population

Patterson tackled the demands of increased enrollment by committing himself to enlarging and improving the programs available and strengthening the staff within the School of Business. He also turned his attention to securing accreditation by the American Association of Collegiate Schools of Business, a process begun during Sparks's administration. In April of 1951, due to the efforts of Patterson, business school faculty, and USD President I.D. Weeks, full accreditation was granted.

Robert F. Patterson

The needs of the burgeoning college population led to one of Patterson's biggest challenges. In 1946, 14 students were enrolled in the School of Business; by 1950 that number has escalated to 124. The need for a new home for the School was apparent as classroom and office space rapidly became scarce in its original Old Main location.

The machinery for obtaining funding for a new building was set in motion in 1950 by a resolution passed by the Business Advisory Council; this resolution formally appealed to President Weeks to support a request to the legislature for funding. In February of 1955, the bill for appropriation of $650,000 passed unanimously and was signed by Governor Joe Foss. On April 12, 1956, President Weeks turned the first shovel of earth and construction on the new building commenced. Students enrolled in classes in the summer of 1957 were the first to enjoy the new facility.

Patterson expanded the range of services offered to students and the university community in a number of other ways. The formation of the Business Placement Bureau in 1951 served to assist graduates of the School of Business in procuring suitable employment. The Business Research Bureau underwent its first expansion in 1948 with additional staff and became a charter member of the Association for University Business and Economic Research.

The Master of Business Administration degree program was reinstated during Patterson's tenure, with the two-fold purpose of preparing candidates for executive positions and preparing candidates for college teaching professions. Five MBA candidates began attending classes for the program in the summer of 1958.

Dean Patterson is remembered by students for his insistence upon dress code (collar and tie mandatory for all male students) and the sense of pride and professionalism instilled in the students and staff of the School of Business. His own pride in the school was apparent; he could sometimes be found working on the grounds of the school, keeping its exterior with the same care

he nurtured its programs. Patterson retired from the School of Business in 1968 to the community of Vermillion. Recognition for his dedication and achievements was formalized on October 1, 1971, when the School of Business building was renamed and dedicated Patterson Hall.

In 1969, after serving a year as Interim Dean, Dr. Dale Clement was named the third Dean of the School of Business. Clement came to the School of Business in 1963 as an Assistant Professor of Finance, and continued to teach Finance courses throughout his tenure at USD.

> *"We are in a new era in the development of professional business education. The School of Business is prepared and looks forward to moving aggressively into this new era and beyond."*
>
> *Johnson*

Clement was truly a dean for the students, and could often be found offering individual assistance and guidance in course selection or career direction. He is remembered for instituting an "open door" policy for students and staff, and welcomed visits, comments, and suggestions.

Dale E. Clement

The School of Business grew tremendously in numbers and in programs during Clement's administration. Undergraduate and graduate enrollment more than tripled — 420 students were enrolled in 1969; in 1989, the School of Business had 1,505 students. Consequently, the size of the faculty grew as well, from 20 to 40, and the number of support and technical staff grew from 3 to 30.

Academic achievements under Clement include the establishment of the South Dakota Council on Economic Education and the Henry T. Quinn Center for Economic Education, both in 1969. An international studies program, the European Study Tour, has taken juniors and seniors enrolled in the School of Business to Europe to study and observe other economic systems. Opportunities for student internships through the business school number about 200 per year. Over 115 scholarships, totaling approximately $80,000 are awarded annually to School of Business students, a great increase from the 13 scholarships available at the beginning of Clement's administration.

Outreach programs established by Clement have taken classes to undergraduate and graduate students in various locations in South Dakota and Iowa. Students in Sioux Falls, Sioux City, and Ellsworth Air Force Base (Rapid City) now have the opportunity to complete the entire MBA degree through extension services.

Service to the state also expanded during Clement's reign. The Business Research Bureau umbrella grew to encompass new additions including the State Data Center, Information Services Division, Survey & Research Laboratory, Small Business Institute, and the Business Request Service. Programs servicing the needs of the business people in the state were also developed; these include the Small Business Development Center, the Procurement Technical Assistance Center, and the Native American Economic Development Project.

After spending his entire career in education, including 26 years at USD, Clement accepted the position of Senior Vice President and Chief Financial Officer for the Black Hills Corporation in Rapid City. Clement left an indelible mark on the School of Business, and will be remembered for his dedication to the University and its students.

During the interim year between Clement's and Johnson's administrations, the School of Business was under the direction of Dr. Galen Hadley. Hadley had served as Interim President of the University of South Dakota for the academic year 1988-89. He has a history of leadership at USD, holding the position of Vice President for Academic Affairs in 1985-88 and Vice President for Administration and University Relations in 1984-85. Hadley joined the School of Business in 1972 as an Assistant Professor of Accounting, and continues to teach in that department.

Galen D. Hadley

As the University expands its horizons and becomes visible throughout the state, the School of Business will further increase its services to the business community and citizens of South Dakota. "We are in a new era in the development of professional business education. The School of Business is prepared and looks forward to moving aggressively into this new era and beyond," stresses Jerry Johnson. Within the academic sector, Johnson is committed to delivering the best education possible and fostering the school's commendable reputation. This includes hiring quality faculty and continuing to develop the school's programs of instruction. Steps that have already been taken in that direction include the restructuring of departments within the School of Business. The Business Advisory Council is undergoing reorganization to better join the students and the business community.

The School of Business has experienced remarkable changes since its humble beginnings as a few course listings under the Department of Economics. Its graduates can be found in every state in the nation, and placement from this well-reputed school is well above the national average. The building is once again bursting at its seams as the enrollment continues to climb and programs continue to expand to meet the growing needs of a changing population. The growth and expansion of the School of Business, as well as the growth of the University, promises to continue, and the future of the School of Business will prove to be as great as its history.

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Volante, 26 April 1989

SOUTH DAKOTA INCOME AND EMPLOYMENT

TOTAL PERSONAL INCOME
United States, Plains Region and States
First Quarter 1989-First Quarter 1990
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1989				1990	% Change 1st Qtr. 1989
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	1st Qtr. 1990
United States	4,254,200	4,326,132	4,374,081	4,462,173	4,548,951	6.9
Plains States	285,174	288,412	287,706	297,944	304,487	6.8
Iowa	44,091	44,050	43,352	44,854	46,453	5.4
Kansas	39,817	40,499	40,223	42,295	43,349	8.9
Minnesota	75,354	76,792	77,089	80,049	81,658	8.4
Missouri	82,818	84,180	85,194	86,818	88,098	6.4
Nebraska	24,822	24,769	24,278	25,049	26,165	5.4
North Dakota	8,826	8,656	8,366	9,150	9,031	2.3
South Dakota	9,446	9,467	9,203	9,730	9,732	3.0

Note: Detail may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
June 1989 and June 1990
(In Thousands)

				Average Weekly Hours		Average Hourly Earnings	
	June 1989	June 1990	% Change	June 1989	June 1990	June 1989	June 1990
Total Employment	282.3	288.1	2.1				
Total Private	219.7	233.9	6.5	33.4	34.0	$7.50	$7.75
Mining	2.8	2.9	3.6	41.8	42.9	$12.13	$12.04
Construction	11.5	11.9	3.5	42.5	44.0	$9.29	$9.63
Manufacturing	32.5	32.8	0.9	42.0	41.7	$8.16	$8.38
Durable Goods	18.6	19.0	2.2				
Fabricated Metals & Mach.	11.0	11.0	0.0				
Nondurable Goods	13.9	13.8	-0.7				
Food & Kindred Products	7.3	7.3	0.0				
Paper, Printing & Publishing	3.0	3.0	0.0				
Transportation & Pub. Utilities	13.6	13.4	-1.5	38.6	38.2	$10.83	$11.18
Transportation	8.0	7.9	-1.2				
Communication	3.2	3.2	0.0				
Electric/Gas/Sanitary Services	2.4	2.4	0.0				
Wholesale & Retail Trade	75.0	76.6	2.1	31.0	31.9	$6.13	$6.45
Wholesale Trade	18.8	18.6	-1.1				
Durable Goods	8.6	8.5	-1.2				
Nondurable Goods	10.2	10.1	-1.0				
Retail Trade	56.2	58.0	3.2				
General Merchandise, Apparel & Accessory Stores	9.4	9.5	1.1				
Food Stores	8.2	8.7	6.1				
Finance, Insurance & Real Estate	15.8	16.5	4.4	35.6	35.4	$7.94	$6.94
Finance	10.3	10.8	4.9				
Depository Institutions	5.8	6.0	3.4				
Nondepository Institutions	3.9	4.1	5.1				
Insurance Carriers, Agents & Brokers	3.8	4.0	5.3				
Services	68.5	69.8	1.9	29.3	30.2	$7.10	$7.38
Hotels, Amuse., Pers. & Business	9.7	9.7	0.0				
Personal and Business	8.2	8.3	1.2				
Medical & Health	26.0	26.3	1.2				
Educational	4.2	4.5	7.1				
Social	4.8	5.3	10.4				
Membership	8.1	8.2	1.2				
Government	62.6	64.2	2.6				
Federal	11.4	11.8	3.5				
State	16.1	16.9	5.0				
State Education	5.9	6.2	5.1				
Local	35.1	35.5	1.1				
Local Education	19.6	19.8	1.0				

Source: Developed by the South Dakota Department of Labor in cooperation with the U.S. Bureau of Labor Statistics

SOUTH DAKOTA AGRICULTURAL INDICATORS

CROP PRODUCTION SUMMARY
As of August 1, 1990
South Dakota
1989 and 1990

Crop	Thousands Bushels 1989	1990	% Change 1989-1990
Corn, Grain	190,800	224,000	17.4
Wheat, All	83,080	130,635	57.2
Winter	35,100	62,900	79.2
Durum	2,880	2,635	-8.5
Other Spring	45,100	65,100	44.3
Sorghum, Grain	11,600	15,900	37.1
Oats	44,000	52,000	18.2
Barley	19,250	26,100	35.6
Soybeans	48,800	55,680	14.1
Hay, All 1/	4,290	6,900	60.8
Alfalfa 1/	2,400	3,600	50.0
Other 1/	1,890	3,300	74.6

1/ Yield and production in tons.

Source: South Dakota Crop & Livestock Reporter

PRICES RECEIVED BY FARMERS FOR COMMODITIES SOLD--SOUTH DAKOTA
June 1989 and 1990

Commodity and Unit		Base Period Price 1910-1914 Average	June 1989	June 1990	June 1990 Price as % of Base	% Change June 1989/90
Wheat	Bu.	0.850	3.90	3.32	391	-14.9
Corn	Bu.	0.510	2.40	2.44	478	1.7
Oats	Bu.	0.350	1.70	1.26	360	-25.9
Barley	Bu.	0.590	2.07	1.93	327	-6.8
Flaxseed	Bu.	1.680	1/	1/	0	
Cattle	Cwt.	5.240	65.40	75.30	1437	15.1
Calves	Cwt.	6.080	89.00	101.00	1661	13.5
Hogs	Cwt.	7.070	44.70	58.00	820	29.8
Sheep	Cwt.	4.240	21.60	18.30	432	-15.3
Lambs	Cwt.	5.660	71.80	56.30	995	-21.6
Wool	Lb.	0.178	1.31	1.03	579	-21.4

1/ Not published. Insufficient sales.
Source: South Dakota Crop & Livestock Reporter

SOUTH DAKOTA LOCAL CONDITIONS INDICATORS

SOUTH DAKOTA LOCAL CONDITIONS INDICATORS
(% Change Like Period Previous Yr.)

City	Taxable Sales/1 Total	Retail	Services	Telephone Services/2	Housing Starts/3	Postal Indicator/4	Employment*/2
Aberdeen	3.4	6.2	4.9	1.4	1189.5	16.2	-3.3
Belle Fourche	6.6	8.9	2.6	2.4	54.3		-1.5
Brookings	9.8	4.7	7.5	NA	-4.1	-1.6	0.1
Canton	15.0	18.0	-1.7	1.2			-5.5
Chamberlain	-2.9	-6.1	11.3	3.3	-88.0		-0.2
Deadwood	52.9	49.5	72.8	5.9			7.4
De Smet	34.0	15.4	5.6	6			-2.3
Elk Point	8.3	5.1	11.0	1.0			5.2
Hot Springs	7.3	4.7	23.3	NA	32.0		-3.6
Huron	2.2	0.0	5.1	1.1	-28.0	4.3	-2.3
Lead	9.1	17.1	79.6	3.8			7.4
Madison	3.4	3.4	4.1	2.6	79.8		-1.4
Milbank	8.3	5.2	16.5	8			-1.7
Mitchell	13.6	6.9	9.4	1.6	295.5	-4.7	-1.2
Mobridge	-0.1	-1.4	0.6	1.3			-2.0
Pierre	-0.4	1.0	6.5	2.4	-3.4	-2.1	-2.5
Rapid City	8.6	6.6	11.4	3.9	180.5	4.9	-1.8
Sioux Falls	9.5	8.4	9.8	2.5	8.9	-0.7	-0.3
Spearfish	12.6	11.8	15.8	NA	279.6		7.4
Sturgis	19.6	14.4	20.4	4.3			-1.9
Vermillion	2.2	4.2	-4.6	4.7	474.8		-0.8
Watertown	3.7	6.4	-2.0	2.9	24.7	66.0	-1.6
Winner	6.1	4.8	13.2	.1			-2.5
Yankton	6.3	4.8	1.2	3.3	84.2	58.0	-2.3

*Based on County Data

1/ Percentage change for March-April 1989 and 1990.

2/ Percentage change for June 1989 and June 1990. Telephone data are for the number of access lines in service.

3/ Percentage change for Jan.-June 1989-1990. Data reported for housing represent the value of housing starts.

4/ Percentage change for the 2nd quarter of 1989 and 1990. Included in postage indicators are: postage sales, postage meters for customers, meter imprint postage (3rd class regular), and second class postage.

SOUTH DAKOTA
Business Review

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Continued from page 2.

South Dakota Business Indices
Seasonally Adjusted (1982=100)
First Quarter 1989-Second Quarter 1990

	1989 1st qtr	1989 2nd qtr	1989 3rd qtr	1989 4th qtr	1990 1st qtr	1990 2nd qtr
Personal Income	111.9	110.7	107.1	112.0	110.2	—
Farm Proprietors' Income	130.2	102.2	89.0	102.4	82.7	—
Non-ag Employment	114.7	120.2	116.9	117.4	117.8	123.0
Construction Employment	125.3	126.4	123.8	127.1	133.4	132.6
Unemployment Rate (%)	4.3	4.3	3.2	3.5	3.7	3.9
New Cars	116.6	126.2	155.8	108.5	127.1	118.1
New Trucks	173.4	168.2	227.8	163.1	197.4	163.6

END NOTES

The U.C.L.A. National Business Forecast, September 1990.

Patrick Jackman, "Consumer Prices in the 1980's: The Cooling of Inflation," Monthly Labor Review, August 1990.

CONSUMER PRICE INDEX*
United States
Jan.-June 1990
(1982-1984=100)

	Jan.	Feb.	March	April	May	June	Unadjusted % Change Jan.-June
All Items	127.4	128.0	128.7	128.9	129.2	129.9	2.0
Food & beverages	130.0	130.9	131.2	131.0	131.1	131.7	1.3
Food	130.4	131.3	131.5	131.3	131.3	132.0	1.2
Alcoholic beverages	126.2	126.9	127.8	128.2	128.9	129.3	2.5
Housing	125.9	126.1	126.8	126.8	127.1	128.3	1.9
Shelter	136.3	136.6	137.8	138.0	138.3	139.5	2.3
Renters' costs	142.0	143.5	144.8	144.7	144.4	145.3	2.3
Homeowners'cost	141.1	141.0	142.2	142.5	143.1	144.4	2.3
Fuel & other utilities	110.8	110.2	109.9	109.4	109.9	112.2	1.3
Fuel	104.5	103.1	102.3	101.2	101.9	105.4	0.9
Fuel oil, & other household fuel	113.1	95.4	91.5	89.6	88.0	84.9	-24.9
Gas (piped) & electricity	107.5	108.3	107.9	106.8	107.8	112.4	4.6
Other util. & pub. services	129.3	130.0	130.7	130.9	131.2	131.8	1.9
Household furn. & operation	112.1	112.8	112.8	112.8	113.2	113.1	0.9
Apparel & upkeep	116.7	120.4	125.4	126.7	125.5	123.3	5.7
Transportation	117.2	117.1	116.8	117.3	117.7	118.2	0.9
Private transportation	115.9	115.6	115.1	115.5	115.9	116.4	0.4
Public transportation	134.2	136.7	139.1	140.3	140.9	141.5	5.4
Medical care	155.9	157.5	158.7	159.8	160.8	161.9	3.8
Entertainment	129.9	130.4	130.9	131.4	131.7	131.9	1.5
Other goods and services	154.0	154.7	155.2	155.8	156.6	157.8	2.5

*Consumer Price Index for all Urban Consumers

Source: Bureau of Labor Statistics, U.S. Dept. of Labor

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